Program Evaluation Plan

4 May 2004

Air Force Housing Privatization Workshop

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Lesson Outline

1. Overview of the Program Evaluation Plan (PEP)
2. Elements of the PEP
   a. Installation-level Reports
   b. Line-by-Line Instructions
   c. OSD's "Hot" Data Elements
3. Completion of PEP
   a. Timeline
   b. Sources of Data
4. The End Result
5. Helpful Hints
6. Lessons Learned from Past PEP Reports

Overview of the PEP

Overview of the PEP

PEP history and goals:

- First Program Evaluation Plan (PEP) report was issued for the period ended 31 December 2000
- Six DoD-wide PEP reports have been completed as of May 2004
- December 2003 report to include 27 projects and over 55,000 units
- Next report should cover 33 projects and 61,500 units
- 69 projects in planning/solicitation phase

Overview of the PEP

The purpose of the PEP:

- Assists in measuring the effectiveness of the Military Housing Privatization Initiative (MHPI) program
- Assists in evaluating the strengths and weaknesses of individual projects in achieving military housing privatization objectives
- Assists in determining how the MHPI could be improved to better meet its objectives
- Provides project and program information to respond to inquiries from oversight organizations

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Overview of the PEP

The PEP also provides/is:

- A systematic approach for comparing the actual costs of privatized projects to traditional military construction projects
- A tool to assist in evaluating the financial condition of MHPI projects and the program
- A tool to assist in measuring Successful Offerors' performance
- A tool to assist in assessing Service members' satisfaction with the privatized housing

Overview of the PEP

The MHPI PEP does <u>not</u>:

- Dictate the types of systems, documents, or other records needed to prepare the PEP
- Establish Service-level policies, procedures, or responsibilities for preparing the PEP
- Require submission of detailed financial or other schedules and analyses supporting the PEP (to be maintained by the Services)
- Provide, by itself, an adequate tool to monitor individual projects

Overview of the PEP

Three main PEP reporting levels:

1. **Installation-level reports**
2. **Service-level reports**
3. **OSD/H&CS DoD-level reports**

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Overview of the PEP

Three main PEP reporting levels:

1. **Installation-level reports**
   - Project Fact Sheet
   - Project Monitoring Matrix
   - Project Summary Report

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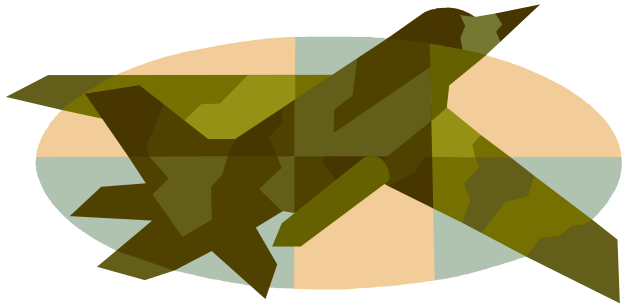
Overview of the PEP

2. Service-level reports

- Program Executive Summary
  - Program Accomplishments and Improvements
  - Problem Areas
  - Lessons Learned
  - Health of the Program
  - Summary of Service members'/Tenants' Assessments



Overview of the PEP

3. The OSD/H&CS DoD-level reports:

- MHPI Program Executive Report
  - Summarizes and analyzes PEP reports from each Service
  - Is be available to Congress, DoD leadership, Services' leadership and other oversight organizations

Overview of the PEP

Who uses PEP data?

- Potential Requestors
  - Congress
  - DoD
  - Service Secretaries
  - OMB, Treasury, etc.
  - GAO, OIG
- Information Requested
  - Project
  - Service Portfolio
  - DoD Portfolio
- Timing
  - Yesterday

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Quiz

Q: The PEP comes with a thick manual that tells all project participants what systems to use for reporting data and in what format to provide it.

A: (Choose one)

- **True – It also comes with a personalized fitness and diet plan.**
- **False – It is up to the command and installation to agree on these things.**

Elements of the PEP

Elements of the PEP

Installation-level Reports

- *Project Fact Sheet* – a static database that provides a snapshot of each installation's MHPI project, taken shortly after transaction closing. It is completed once, using projected dates for certain data elements including
  - Occupancy date for first newly constructed unit;
  - Date of construction completion; and,
  - Time between transaction closing and construction completion.

Elements of the PEP

Installation-level Reports

- *Project Monitoring Matrix* – a dynamic database that is maintained for the duration of the project (50 years). Focuses largely on the financial performance of each installation's privatized housing project and the project's success in meeting Air Force housing objectives, including measurements of tenant satisfaction.

Elements of the PEP

Installation-level Reports

- *Project Summary Report* – a dynamic narrative report that summarizes and interprets data compiled in the Project Fact Sheet and Project Monitoring Matrix. It also highlights issues, resolutions and best practices identified for subject privatized housing project.

Elements of the PEP

Installation-level Reports

Project Fact Sheet

- Up to 107 lines of information to fill out

Line	Element
1	SERVICE
2	LOCATION (CITY AND STATE)
3	PROJECT SIZE
4	Total #of Base Housing Units Before Privatziation
5	Total #of Units Transferred
6	Total #of Units Replaced
7	Total #of Units Renovated
8	Total #Tranferred units with no Work Required during Initial Phase

Elements of the PEP

Installation-level Reports

Project Fact Sheet (continued)

(Continuation of Project Size section)

9	Deficit Reduction (#)
10	Total #of Units Demolished or Sold Without Replacement
11	Total #of Units Privatized
12	Total #of Inadequate Units Eliminated
13	Projected Date all Inadequate Units are Eliminated
14	Total #of Base Housing Units After Privatization

Elements of the PEP

Installation-level Reports

Project Fact Sheet (continued)

15	**FINANCIAL PROFILE**
16	Project Term (Yrs./Mos.)
17	Total Development Costs ($)
18	Total Milcon Costs ($)
19	Type of Cash Subsidy
20	Budget Score ($) (Total)
21	Direct Loan Score ($)
22	Limited Guarantee Score ($)
23	Investment Score ($)
24	Differential Lease Payment ($)
25	Other ($)
26	Life Cycle Costs
27	Privatization (MHPI) ($)
28	Identical Milcon Equivalent ($)
29	Difference ($)
30	Leverage

Elements of the PEP

Installation-level Reports

Project Fact Sheet (continued)

31	**MILESTONES AND TIMELINES**
32	OSD/H&CS Concept Brief (Mo./Yr.)
33	OSD/H&CS Concept Approval (Mo./Yr.)
34	RFP/RFQ issuance (Mo./Yr.)
35	OSD/H&CS Award Approval (Mo./Yr.)
36	Selection Award (Mo./Yr.)
37	Closing (Mo./Yr.)
38	First Newly Constructed Unit Occupied (Projected Mo./Yr.)
39	Initial Construction Completed (Projected Mo./Yr.)
40	OSD/H&CS Concept Approval to Closing (Yrs./Mos.)
41	Transaction Closing to Commencement of Construction (Projected Yrs./Mos.)
42	Construction Commencement to Construction Completion (Projected Yrs./Mos.)
43	Final Date of Loan Execution for Single or Multiple Takeouts (Projected Mo/Yr.)

Elements of the PEP

Installation-level Reports

Project Fact Sheet (continued)

44	GOVERNMENT SERVICES AND DEVELOPER AMENITIES
45	Fire (Yes/No)
46	Police (Yes/No)
47	Utilities (Yes/No)
48	Miscellaneous (Name Any)
49	School Impact Aid (High/Low)
50	Amenities Provided by Developer/Contractor (e.g.swimming pool, community centers, playgrounds, etc.)

Elements of the PEP

Installation-level Reports

Project Fact Sheet (continued)

51	**SOLICITATION INFORMATION**
52	Type of Procurement (RFP, RFQ, or Sole Source)
53	Total #of Qualifications Submitted for Solicitation
54	Total #of Proposals Submitted for Solicitation

Elements of the PEP

Installation-level Reports

Project Fact Sheet (continued)

55	**DEAL STRUCTURE**
56	Developer/General Partner (Name)
57	Property Manager (Name)
58	Targeted Tenants by Rank
59	Private Sector Cash Equity ($)
60	Government Cash Equity ($)
61	Government Improved Property Contribution ($)
62	Government Land Contribution ($)
63	Total Government Equity Contribution ($)
64	Other Development Funds ($)
65	Type of Other Development Funds
66	Return on Government Investment (ROI)
67	Ground rent provision
68	Other Recaptured Revenue

Elements of the PEP

Installation-level Reports

Project Fact Sheet (continued)

(Continuation of Deal Structure section)

69	Private Sector Debt
70	Lender Name
71	Loan amount ($)
72	Term (Yrs.)
73	Interest rate (%)
74	Special provisions
75	Guaranteed (Y/N)
76	Guaranteed Threshold Event Ratio
77	Total #of Eligible Military Families
78	Government Debt
79	Direct loan amount ($)
80	Direct loan term (Yrs.)
81	Direct loan interest rate (%)
82	Special Provisions

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Elements of the PEP

Installation-level Reports

Project Fact Sheet (continued)

83	**MHPI AUTHORITIES**
84	Direct Loan - Section #2873
85	Loan Guarantee - Section #2873
86	Investments (Acqusition of Partnership Interests, Stocks, Bonds) - Section #2875
87	Differential Lease Payments - Section #2877
88	Payments by Allotment - Section #2882
89	Assignment of Members - Section #2882
90	Conveyance of land - Section #2878
91	Conveyance of units - Section #2878
92	Lease of land - Section #2878
93	Build to Lease - Section #2874
94	Rental and Occupancy Guaranties - Section #2876
95	Interim Leases - Section #2879
96	Ancillary Support Facilities - Section #2881
97	Unit Size and Type - Section #2880

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Elements of the PEP

Installation-level Reports

Project Fact Sheet (continued)

98	**TENANT SATISFACTION**
99	Tenant Choice
100	Tenant Surveys
101	**CONSTRUCTION RISK**
102	Forward Commitment
103	Architectural plans/project plans/construction inspections
104	Construction Inspections
105	Performance Bonds
106	Local licensing/permit requirements

Elements of the PEP

Installation-level Reports

Project Fact Sheet (continued)

107	**COMMUNCATIONS AND PROBLEM RESOLUTION**
108	Management Review Committee
109	Tenant Advisory Board
110	LLC Management Board
111	Financial Advisory Board
112	**SAFEGUARDING GOVERNMENT'S INTEREST**
113	Lockbox
114	Operating Agreement
115	Ground Lease
116	Use Agreement
117	Intercreditor Agreement
118	Reinvestment Account
119	Industry Standard Loan Documents
120	Service-Specific Approval

Elements of the PEP

Installation-level Reports

Project Monitoring Matrix

- Development phase information

Line	Element
121	**Monitoring**
122	First newly constructed unit occupied (date)
123	Total #of new units on-line
124	Construction completed
125	*New construction completed (#)*
126	*New construction scheduled for completion (#)*
127	*Renovation completed (#)*
128	*Renovation scheduled for completion (#)*
129	Construction completed (Mo./Yr.)
130	Transaction closing to construction completed (Yrs./Mos.)

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Elements of the PEP

Installation-level Reports

Project Monitoring Matrix (continued)

- Financial information

131	Unanticipated Revenues (Y/N)
132	Subsidy re-estimate (Y/N)
133	Date of loan execution
134	*First (Permanent) Mortgage (Mo./Yr.)*
135	*Second Mortgage (Mo./Yr.)*
136	Remaining principal balance
137	*First (Permanent) Mortgage ($)*
138	*Second Mortgage ($)*
139	Total #of times delinquent (*if applicable*)
140	*First (Permanent) Mortgage*
141	*Second Mortgage*
142	DCR on 1st mortgage
143	DCR on 1st mortgage plus 2nd mortgage
144	Government ROI (for equity deals) (%)

Elements of the PEP

Installation-level Reports

Project Monitoring Matrix (continued)

- Operations information

145	Replacement reserves
146	Occupancy rate (%)
147	Total #of eligible military families
148	Military tenants in project (#)
149	Total #of military referrals
150	Total #of military move-ins

Elements of the PEP

Installation-level Reports

Project Monitoring Matrix (continued)

- Government costs

152	Additional MHPI Authorities Implemented
153	Additional Budget Score ($)
154	Additional Privatization Costs - Consultants ($)

- Deal changes

155	Project Notifications/Incidence Reports
156	*Date of default notice*
157	*Date of change in project ownership*
158	*Date of change in property management*
159	*Date of loan modification (guaranteed or direct)*
160	*Date of loan repayment (guaranteed or direct)*
161	*Date guaranty claim filed*

Elements of the PEP

Installation-level Reports

Project Monitoring Matrix (continued)

- Tenant satisfaction

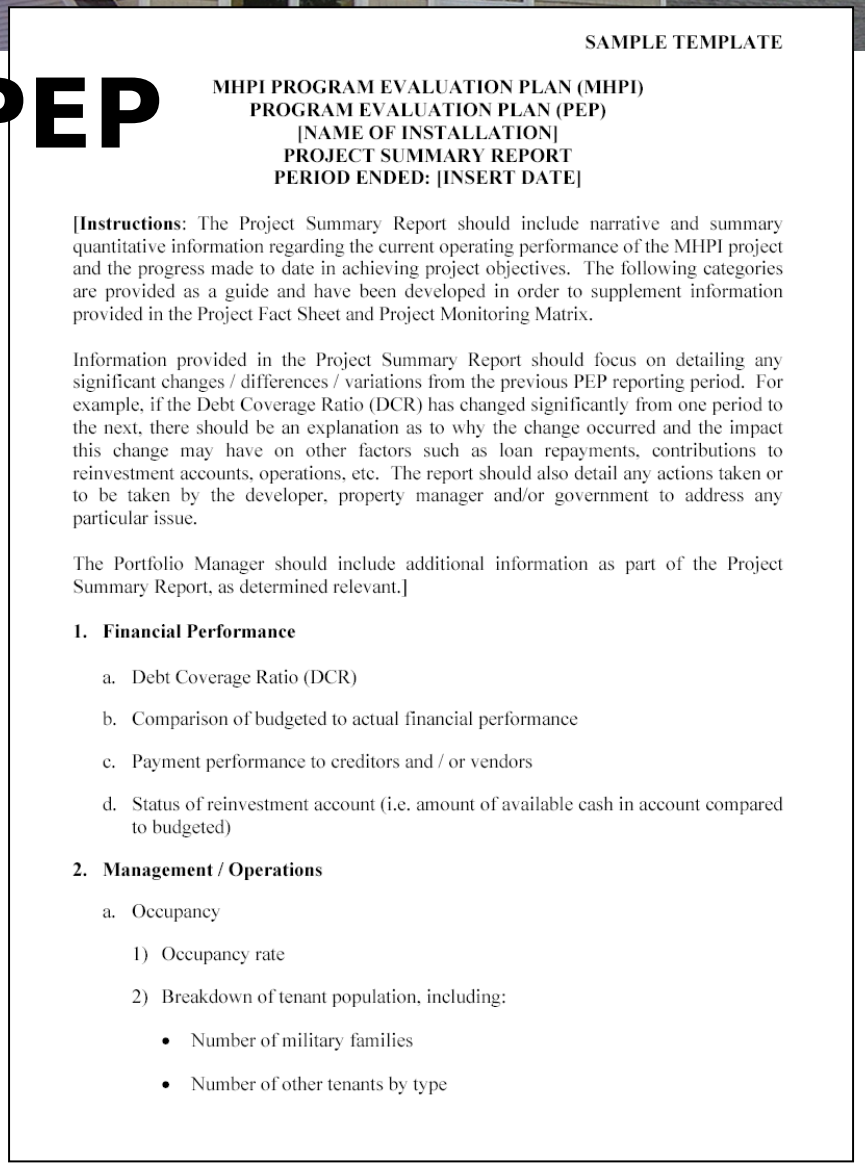
162	*Tenant Survey - Effective Date of Survey (Mo./Yr.)*
163	*Tenant Survey - Number of Tenants Surveyed this Period (#)*
164	*Tenant Survey - Recommendation for Newly Constructed MHPI Units*
165	*Tenant Survey - Recommendation for Newly Renovated MHPI Units*
166	*Tenant Survey - Recommendation for MHPI Unrenovated Units*

Elements of the PEP

Installation-Level Reports

Project Summary Report

- Includes sections on
  - Financial performance
  - Operations/management
  - Development/construction
  - Tenant satisfaction and
  - Any changes to information in Fact Sheet.



SAMPLE TEMPLATE

MHPI PROGRAM EVALUATION PLAN (MHPI)
PROGRAM EVALUATION PLAN (PEP)
[NAME OF INSTALLATION]
PROJECT SUMMARY REPORT
PERIOD ENDED: [INSERT DATE]

[**Instructions**: The Project Summary Report should include narrative and summary quantitative information regarding the current operating performance of the MHPI project and the progress made to date in achieving project objectives. The following categories are provided as a guide and have been developed in order to supplement information provided in the Project Fact Sheet and Project Monitoring Matrix.

Information provided in the Project Summary Report should focus on detailing any significant changes / differences / variations from the previous PEP reporting period. For example, if the Debt Coverage Ratio (DCR) has changed significantly from one period to the next, there should be an explanation as to why the change occurred and the impact this change may have on other factors such as loan repayments, contributions to reinvestment accounts, operations, etc. The report should also detail any actions taken or to be taken by the developer, property manager and/or government to address any particular issue.

The Portfolio Manager should include additional information as part of the Project Summary Report, as determined relevant.]

1. **Financial Performance**
   a. Debt Coverage Ratio (DCR)
   b. Comparison of budgeted to actual financial performance
   c. Payment performance to creditors and / or vendors
   d. Status of reinvestment account (i.e. amount of available cash in account compared to budgeted)
2. **Management / Operations**
   a. Occupancy
      1) Occupancy rate
      2) Breakdown of tenant population, including:
         - Number of military families
         - Number of other tenants by type

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Quiz

Q: The construction schedule at Sunshine AFB has slipped by 4 months. Where is this data reported?

A: (Choose one)

- On the Fact Sheet
- On IRS form 1040EZ
- On the Monitoring Matrix
- On a post-it note by your desk
- ○

Elements of the PEP

Line-by-Line Instructions

- Tool to assist in filling out Project Fact Sheet and Project Monitoring Matrix
- Explain terminology
- Explain calculations
- Assist in identifying data sources

MHPI Program Evaluation Plan
Project Fact Sheet Line Instructions

Please note the Project Fact Sheet reflects information regarding project scope and structure. This information is to be submitted to the Office of the Secretary of Defense / Housing & Competitive Sourcing (OSD / H&CS) as a stand-alone document 45 days after each MPHI project transaction closing. Information reported on the Project Fact Sheet should be consistent with information submitted to OSD/H&CS in advance of project award and/or the final transaction documents signed at closing.

Any revisions to the Project Fact Sheet after submission to OSD/H&CS must be addressed during the next PEP reporting cycle in Section 5 of the PEP Project Summary report with a revised PEP Fact Sheet.

Line 1 – Service
Enter the appropriate service branch (Army, Navy, Marine Corps, or Air Force).

Line 2 – Location (City and State)
Enter the city and state where the project is located.

Line 3 – Project Size
Line 3 is a heading – no input is required.

Line 4 – Project Size - Total # of Base Housing Units Before Privatization
Enter the total number of government-owned and/or privatized family housing units included in the base inventory prior to the start of this MHPI project (inventory may include on-base and off-base units).

Line 5 – Project Size - Total # of Units Transferred
Enter the total number of existing base-owned family housing units that will be transferred to the successful bidder as part of this MHPI project.

Line 6 – Project Size - Total # of Units Replaced
Enter the total number of transferred family housing units (as reported on Line 5) that will be demolished and replaced with new units during the initial development phase (IDP) of this MHPI project. Do *not* include any replacement units that may be set aside for

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Elements of the PEP

OSD's "Hot" Data Elements

- New construction completed
- Renovations completed
- Occupancy
- Non-military occupants
- Debt coverage ratio (DCR)
- Tenant satisfaction

Quiz

Q: The developer at Cloudy AFB has become unhappy with their property manager. As a result, they have hired a new firm. Where is this change in property management firm reported?

A: (Choose one)

- O **On your next Census questionnaire**
- O **On the Monitoring Matrix**
- O **On the Fact Sheet**
- O **On your resume**
- O **On the Project Summary Report**

Completion of PEP

Completion of PEP – Timeline

OSD

13 weeks prior to mandated submission date to OSD

AFCEE
- Prepares PEP templates
- Distributes "Call Letter" to MAJCOM

11 weeks prior to mandated submission date to OSD

MAJCOM
Distributes instructions, templates, and other relevant information to respective installations

6 weeks prior to mandated submission date to OSD

Installation
- Completes all PEP templates and returns to MAJCOM for review

5 weeks prior to mandated submission date to OSD

MAJCOM
- Reviews Installation submissions

4 weeks prior to mandated submission date to OSD

AFCEE
- Works with MAJCOM/Installation to ensure responses are accurate, are consistent across portfolio, and meet OSD Standards
- Completes relevant portfolio data and executive summary

1 weeks prior to mandated submission date to OSD

Air Staff
- Reviews portfolio submission and submits to OSD

Completion of PEP

Sources of Data (These are examples – see handout for comprehensive list.)

- **Final Scoring Model**
  - Project scope
  - MILCON Costs
  - Score
  - Life Cycle Costs
- **Project Schedule**
  - Milestones
  - Timelines
- **PSC Website**
  - Developer's Name
  - Number of Proposals Submitters
  - Targeted Tenants

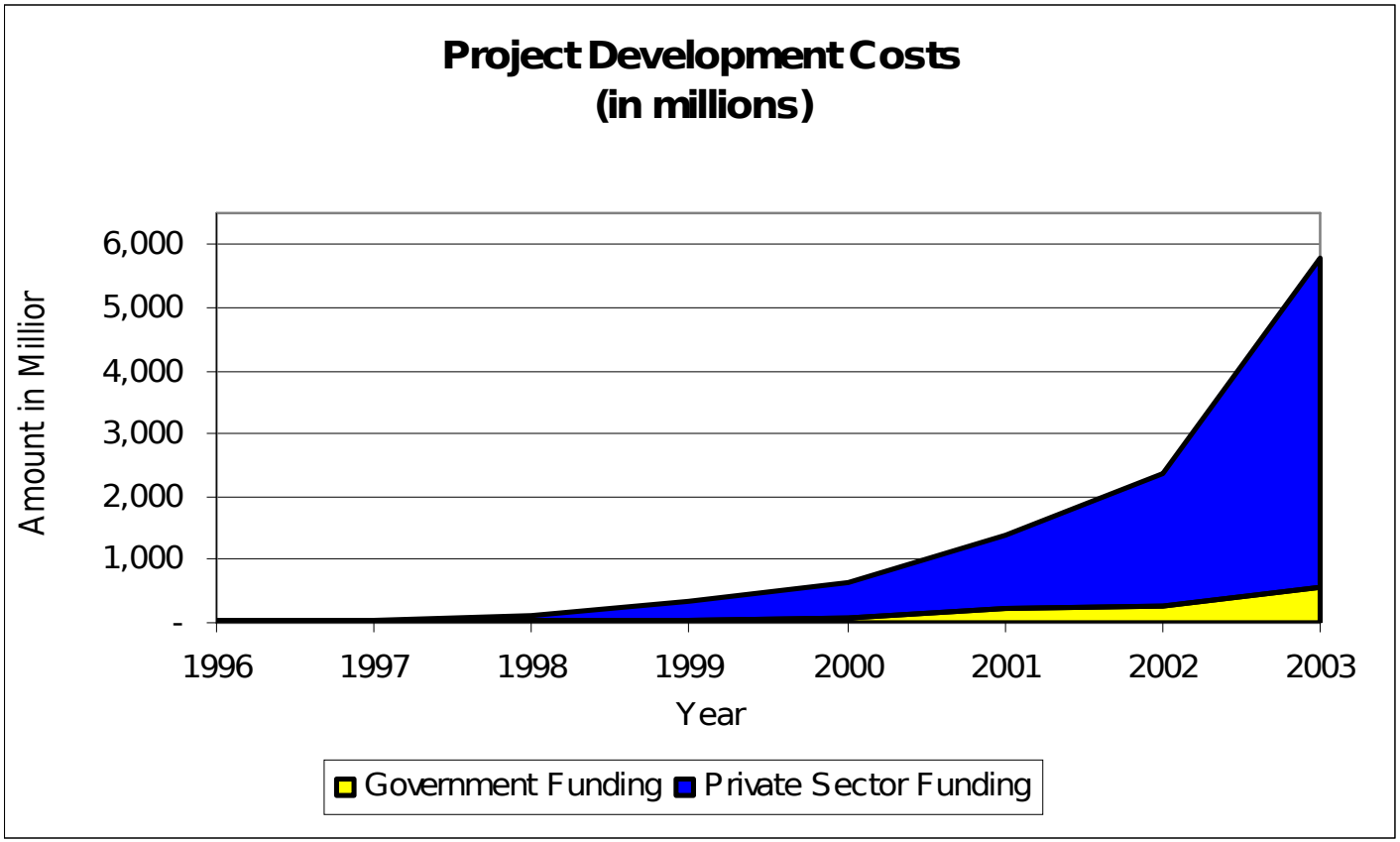
The End Result

The End Result

So, really – what happens to all this data we submit?

- The PEP report is compiled and provided to DoD and the Services and made available, upon request, to other stakeholders
- Primary document is the DoD-level Executive Report, which covers MHPI topics such as:
  - Program growth
  - Deficit reduction
  - Leverage
  - Life cycle costs
  - Lessons Learned
- The DoD-level Executive Report includes tables and charts summarizing information from Project Fact Sheets and Project Monitoring Matrices and points out trends

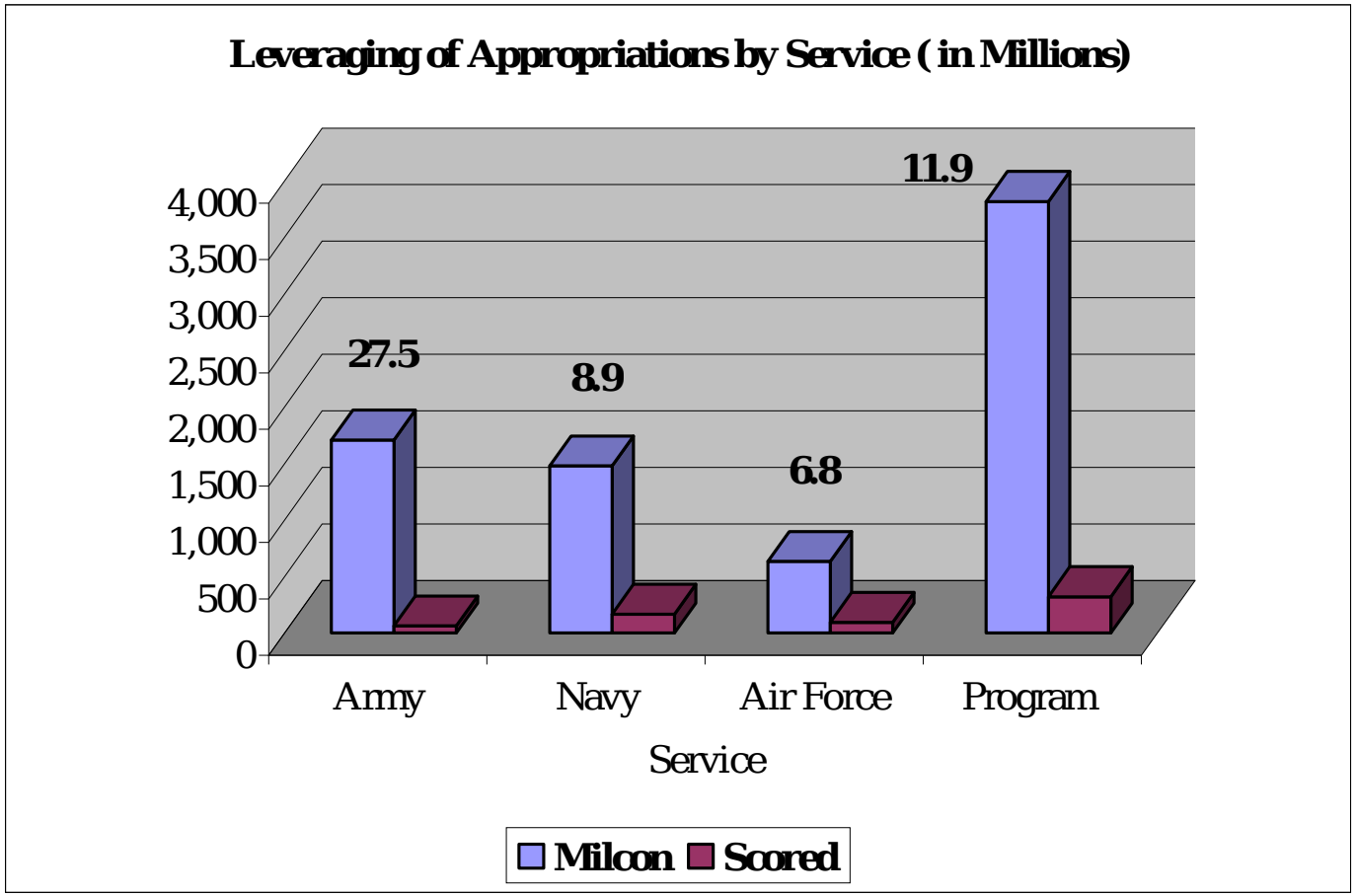
The End Result



*This chart reflects numbers as of December 03

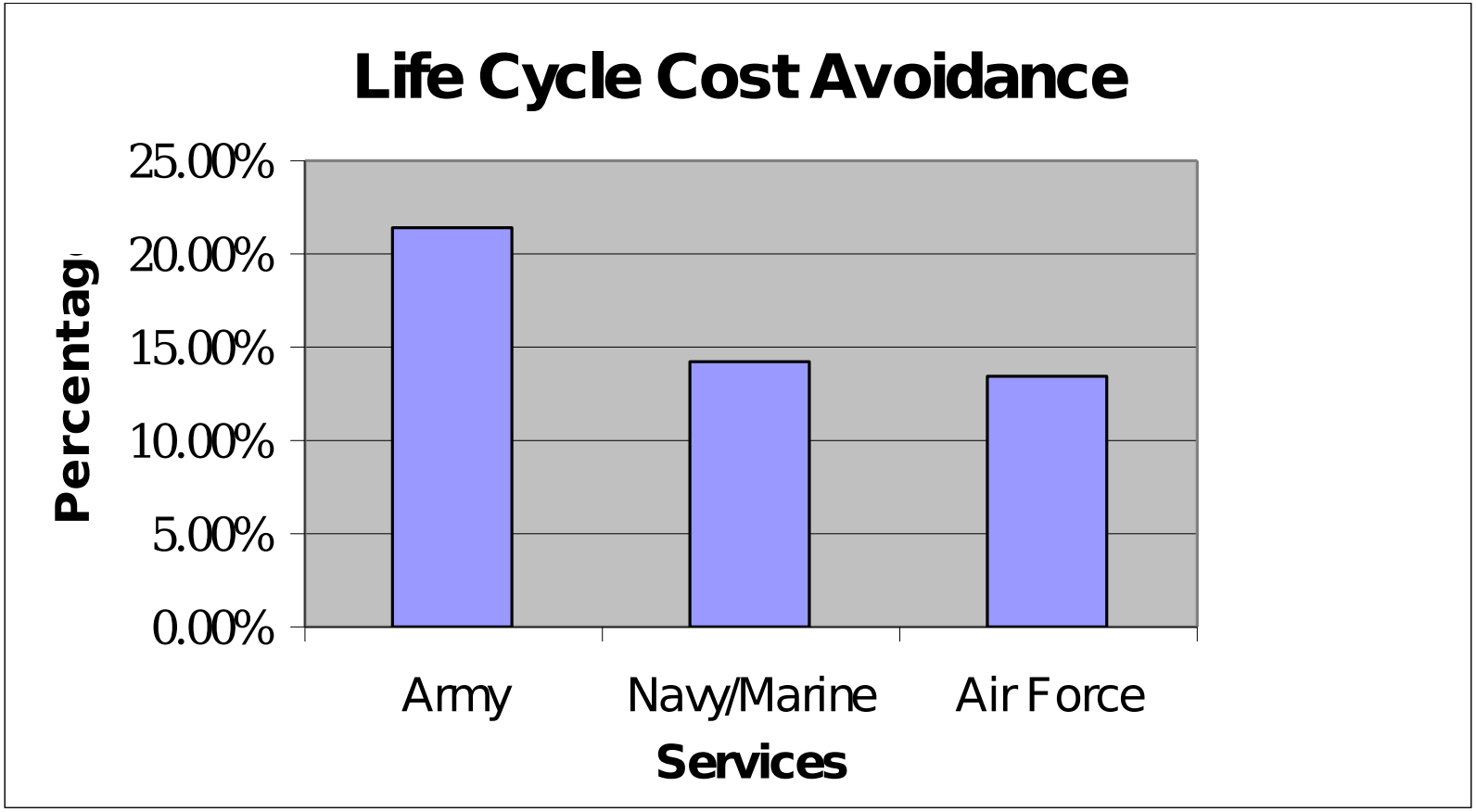
The End Result

A graph from June 2003 PEP Executive Summary:



The End Result

A table from June 2003 PEP Executive Summary:



Helpful Hints

Helpful Hints

- Review Project Fact Sheet and Project Monitoring Matrix several times prior to submitting them. Check for:
  - Formatting – If a line requests a date, make sure the information you have provided is a date (and not a percentage or a number)
  - Make sure you have followed line-by-line instructions in line-by-line
  - Double-check numbers
  - Review Memoranda of Observation (MOOs) from previous reporting periods to avoid repeated mistakes

Lessons Learned from Past PEP Reports

Lessons Learned from Past PEP Reports

- The number of bids received for a project has been dependant on size and location of the project
- Source Selection teams should include installation-level representation to ensure continuity of understanding and intent
- Better overall communication occurs when senior-enlisted staff are involved in the privatization effort
- Sharing privatization project successes reduces resistance to change
- Tenant leases must comply with individual state laws
- Two-bedroom one-bath units have proven difficult to lease

Lessons Learned from Past PEP Reports

- Installations and developers should consider storage space needs
- Housing managers need to be prepared for the transition prior to privatization
- Services should establish and maintain open lines of communication and partnering with developers
- Installations should be aware that a project may encounter weather and environmental issues that could extend project schedule
- Inspection personnel should be funded and in place prior to start of construction

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Quiz

Q: If you are not sure what line 144 of the Project Monitoring Matrix is asking for, you should consult the Magic 8 ball by your desk.

A: (Choose one)

True – This is how I always solve problems.

False – I'll consult the line-by-line instructions, thank you very much!

Information

Website Address:

http://www.acq.osd.mil/housing

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